

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6990

BILL NUMBER: HB 1403

NOTE PREPARED: Mar 4, 2014

BILL AMENDED: Mar 3, 2014

SUBJECT: Regulation of Residential Rental Property.

FIRST AUTHOR: Rep. McMillin

FIRST SPONSOR: Sen. Holdman

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: *Notification of Fee:* The bill provides that the owner of a rental unit assessed any fee by a political subdivision pertaining to the rental unit may: (1) notify the tenants of the rental unit of the assessment of the fee; and (2) require the tenants of the rental unit to reimburse the owner for the payment of the fee. (Current law refers to "inspection, registration, or other fee".)

Special Fund: It requires fees regarding rental units and rental communities to be deposited in a dedicated fund to be used for reimbursement of costs actually incurred by the political subdivision relating to the imposition and amount of the fee.

Permitting: The bill restricts the circumstances and conditions in which a political subdivision may require a rental unit's owner or landlord to obtain a permit.

Inspection: The bill allows an owner of a rental unit to obtain an exemption from a political subdivision's inspection and inspection fee requirements if the rental unit satisfies certain requirements.

Nuisance: The bill allows a political subdivision to impose a penalty for an act constituting a nuisance or ordinance violation. It allows a successful county, city, or town or a successful defendant to recover attorney's fees incurred in a nuisance action.

Registration: It provides that a political subdivision may assess an annual registration fee.

Repeal: The bill repeals superseded statutes relating to local regulation of residential landlord and tenant relations.

Effective Date: June 30, 2014; July 1, 2014.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: Under the bill, programs requiring an owner or landlord to obtain a permit or participate in a class in order to rent a unit would be disallowed.

The bill may result in political subdivisions disbanding or reforming certain types of rental unit inspection programs. If an inspection of a rental unit managed by a professional real estate manager is conducted by an allowed inspector, the political subdivision would not be able to inspect unless there is a complaint or reason to believe the rental unit does not comply with applicable code requirements. An inspection report provided by the allowed inspector to the rental unit manager would be delivered to a political subdivision on the due date set by the political subdivision.

A political subdivision bringing an action to abate or enjoin a nuisance may receive or pay reasonable attorney's fees depending on the outcome of the action.

Explanation of Local Revenues: (Revised) A political subdivision could no longer charge a fee for a rental unit inspection if a rental unit or rental unit community is managed by a professional real estate manager and has been inspected by certain approved governmental agencies, financial or insurance companies, or certain inspectors who are not employees of the owner or landlord. If the political subdivision conducts an inspection based on cause and finds a violation, the political subdivision may bring an action to abate or enjoin the nuisance, but may not charge for the inspection.

However, the local unit may charge an annual registration fee of no more than \$5 per rental unit or for all the rental units in a rental unit community. Any fee revenue would be placed in a special nonreverting fund to be used only for actual costs incurred by a rental inspection or registration program.

Additional Information:

Rental Inspection Programs - There are 14 cities or towns that have rental inspection programs based on a survey completed by Indiana Association of Cities and Towns and other information compiled by LSA. Two of those programs, Bloomington and West Lafayette, would not be affected by the proposed changes to the law as they were established prior to July 1, 1984. Revenues from fees and program expenditures are shown in the table below. [No revenue or expenditure information was available for two programs].

A review of the rental inspection program ordinances or application materials for each of the programs found that the licensing or permit fees are calculated on dwelling or rental unit, street address, rental building, or a combination of basic structure fee and a per unit fee for units within the structure. Generally, the fees range from about \$10 per rental unit to \$200 per rental building. The West Lafayette program has a tiered system with some single structure fees and some combined fees depending on the rental unit type. Of the 14 programs, 7 include an inspection component. For three programs, the inspection fee is \$50 to \$75. Two programs have no inspection fee (the fee is included with the permit or registration fee) and another two programs have no charge if no violations are found, but charge \$50 or \$75 with a violation. Only the town of Speedway requires the completion of a landlord training program. Three of the programs require that the

names and contact information of tenants be provided.

			Fee Revenue		Program Expense	
Unit	Year Started	Type of Program	2011	2012	2011	2012
Bloomington	1970s	Registration and Inspection	\$91,320	\$128,867	\$90,000	\$127,997
East Chicago	2009	Registration	-	197,870	-	-
Crown Point	2012	Registration and Inspection	NA	36,060	NA	20,903
Elkhart	2006	Registration	26,115	31,803	-	-
Evansville	2013	Registration	1,380	120	-	-
Gary	-	Registration and Inspection	-	-	-	-
Goshen	2002	Registration and Inspection	39,185	81,066	-	-
Griffith	2002	Registration	40,685	42,365	-	-
Hammond	2001	Registration	851,899	862,384	966,054	1,044,921
Munster	2010	Permit with inspection	10,305	7,920	-	-
Nappanee	2004	Registration and Inspection	1,600	31,850	34,930	37,353
Speedway	2006	License and Permit	-	-	-	-
Valprasio	2011	Registration and Inspection	4,430	1,145	70	100
West Lafayette	2005	Rental Certificate	159,683	140,759	80,006	141,979

State Agencies Affected:

Local Agencies Affected: Political subdivisions.

Information Sources: Indiana Association of Cities and Towns, Indiana Builders Association, city clerks and building department commissioners from affected political subdivisions, websites and ordinances of affected political subdivisions.

Fiscal Analyst: Karen Firestone Rossen, 317-234-2106.